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RUEHLB/AMEMBASSY BEIRUT PRIORITY 0181
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 0287
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C O N F I D E N T I A L THE HAGUE 000462

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STATE FOR NEA/LEA, EB/OFD/IDF, EUR/ERA, EUR/UBI

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TAGS: ETRD EFIN PREL PGOV SY FUN NL

SUBJECT: EIB/SYRIA: DUTCH WILL NOT BLOCK WATER LOAN

REF: STATE 29000

Classified By: ECONOMIC COUNSELOR RICHARD HUFF,
REASONS 1.4 (B) AND (D)

¶1. (C) Post delivered reftel points February 23 to officials at the Dutch Ministries of Foreign Affairs and Finance. On March 1, Econoffs followed up with Gita Salden, Director of the Office for International Economy and Financial Institutions, Foreign Financial Relations Directorate, Ministry of Finance (MOF), Farid Boussaid, Policy Advisor responsible for European Investment Bank (EIB) issues, Foreign Financial Relations Directorate, MOF, and Bonnie Horbach, Senior Policy Advisor, European Cooperation Department, Ministry of Foreign Affairs.

¶2. (C) Salden said the Dutch were sympathetic toward USG arguments against going forward with the EIB/Facility for Euro-Mediterranean Investment and Partnership (FEMIP) municipal water projects loan to Syria but would not support a block or postponement at the March 7 EIB Board meeting. However, Horbach noted that the Dutch had surveyed their EU partners and found no support for postponing the loan. Boussaid explained that the Dutch viewed the loan as humanitarian. Any action to block the loan, which was part of a package approved in 2001, would be seen as imposing sanctions. Absent such political guidance, whether in the form of a UN Security Council Resolution (UNSCR) or EU foreign ministers' decision, such a step would be in violation of EIB procedures, which would be a political act beyond the EIB's mandate. EIB is a financial institution, and the EU was reluctant to use it for political purposes, he added.

¶3. (C) When pressed, Salden said only a UNSCR could stop the loan from going forward. Given strong USG objections to this and the previous telecom loan, however, Salden assured Econoffs that this loan had undergone closer scrutiny and had not been handled as "business as usual." Horbach said consideration of the loan had actually been postponed for two months on "technical grounds." Given co-financing arrangements, some EU member states (i.e., Germany) had an interest in seeing the loan go forward. Meanwhile, the EU continued to send political signals through other channels, including no progress in the foreseeable future on the EU-Syria Association Agreement. According to Boussaid, EIB contacts had confirmed that this was the last loan in the pipeline for Syria and that all future loans would face stricter scrutiny.

¶4. (C) When asked about U.S. private investment in Syria and any USG exceptions on loans to the country, Econoff

stressed the difference between private and government initiatives and the potentially stronger signals sent by government actions. Econoff clarified that the USG was congressionally mandated to "oppose" (either vote no or abstain) on any lending to Syria from international lending institutions.

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